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March 14, 2002

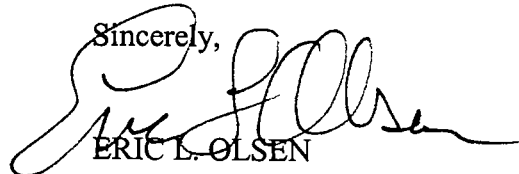
Jean B. Jewell, Commission Secretary  
Idaho Public Utilities Commission  
P.O. Box 83720  
Boise, ID 83720-0040

Re: Case NO. GNR-E-02-1

Dear Ms. Jewel,

Enclosed please find the original and seven copies of the Comments we are submitting on behalf of the Idaho Irrigation Pumpers Association, Inc. in the caption matter. Thank you.

Sincerely,



ERIC L. OLSEN

RCB:fh

cc: IIPA Board and  
Executive Committee (w/encl.)  
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IDAHO PUBLIC UTILITIES COMMISSION

Attorneys for Idaho Irrigation Pumpers Association, Inc.

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE INVESTIGATION )  
OF THE CONTINUED REASONABLENESS )  
OF CURRENT SIZE LIMITATIONS FOR )  
PURPA QF PUBLISHED RATE )  
ELIGIBILITY (i.e., 1 MW) AND )  
RESTRICTIONS ON CONTRACT LENGTH )  
(i.e., 5 YEAR). )  
\_\_\_\_\_ )

**Case No. GNR-E-02-01**

**COMMENTS OF IDAHO IRRIGATION PUMPERS ASSOCIATION, INC.**

Comes now the Idaho Irrigation Pumpers Association, Inc. ("Irrigators"), by and through counsel, and pursuant to the Notice of Investigation and Notice of Comment/Protest Deadline issued by the secretary of the Idaho Public Utilities Commission ("Commission") in the above captioned matter on February 5, 2002, hereby submits the following comments.

The Commission established this docket in response to comments filed in Idaho Power Company Case No. IPC-E-01-37 by the J.R. Simplot Company ("Simplot") to review two issues. Simplot proposed that the size limits for published rate eligibility for qualifying facilities ("QF's") be increased from 1 MW to 10 MW in size and also advocated increasing the standard Public Utility Regulatory Act (PURPA) contract length from 5 to 20 years.

When Congress passed PURPA in 1978, the nation was in a energy crisis. The fundamental purpose of PURPA was to encourage the promotion and development of renewable energy technologies as alternatives to fossil fuels and the construction of new generating facilities by electric

utilities. The implementing rules and regulations provided that a QF would receive the electric utility's "avoided cost" rate for the sale of the power it generated. The regulatory scheme provided that the individual state commissions would establish the rates for QF purchases that would be reasonable in relation to electricity rates for all consumers, be in the public interest, and not be discriminatory against qualifying co-generators or small power purchases.

PURPA proved to be effective in Idaho and elsewhere because it aided in the development of new capacity from QFs. Subsequently, as an energy surplus grew in the region in the 1980's, QF projects were discouraged and the number of new projects substantially declined when this Commission reduced published avoided cost rates, reduced the size of QF projects to smaller than 1 MW, and shortened the contract term to five years. However, the recent return of the 2000-2001 energy crisis saw market prices raise to unprecedented and astronomical levels when demand exceeded supply. While rate caps and innovative buyback and curtailment programs with irrigators and industrial customers substantially helped mitigate the crisis and avoided widespread rolling blackouts, they had devastating effects on various sectors of the regional economy. Increasing the current QF size limitation from 1 to 10 MWs and increasing the contract length to 20 years appear to be reasonable and appropriate measures for the Commission to stimulate new capacity and increase the supply of affordable power.

High electric power prices can occur at any time, but are more likely to result during times of water shortages as has been experienced recently on the Idaho Power System. This combination of low water and high electric power costs spells potential disaster for the agricultural economy of Idaho. Accordingly, the Irrigators support and encourage policies that stimulate new capacity and increase a supply of electricity at the lowest cost.

There are a variety of QF projects that the agricultural community can bring forth to add electrical capacity and to ease the price impact upon all customers. However, these projects do not

necessarily fit under the 1 MW eligibility cap that is presently in existence in Idaho regarding QF projects. Additionally, if these larger agricultural QF projects are going to be brought forward, they are going to require institutional financing. Such financing is extremely difficult to obtain for a project that must be amortized over decades and yet can only get a QF contract that is 5 years in length.

Some of these agricultural community projects would include hydroelectric generators greater than 1 MW on irrigation canals. Although it is possible to have such generators sized smaller than 1 MW, the present size limitation places an artificial barrier to somewhat larger projects that could be of great value to all ratepayers. While this limitation remains, these projects will not be funded and renewable resources will remain unbuilt.

Another possible agricultural community project would be the establishment of small wind farms. There are many areas in the agricultural community where small to medium sized wind farming may be feasible. Technological changes have reduced the cost of wind-turbines, and thus the feasibility of such projects. Although most wind-turbines would be less than 1 MW in size, a wind farm which is simply a collection of such wind-turbines could easily surpass the present 1 MW cap that would prevent it from qualifying as a QF facility. Once again, the size of the megawatt limitation and the length of the contract could have a significant impact upon the ability to bring forth these viable renewable resources.

Animal waste is a byproduct that the agricultural community has had to always address. Recent developments in methane production from such waste has lead to the use of methane from animal waste for the production of electricity. Once again, these projects are typically not of the size that would induce utilities to develop this technology, but larger than the 1 MW limit that is presently placed upon QF facilities. Raising of the size limitation of QF facilities up to 10 MW and the lengthening of the contracts to 20 years would greatly help the development of such technologies.

The Irrigators are concerned that QF projects produce a net benefit to ratepayers. We are not

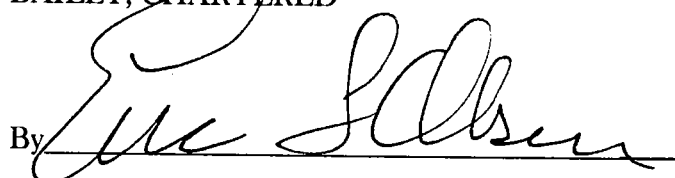
advocating that the bringing on of renewable resources with larger capacity and longer contract lengths should be accomplished in spite of the costs. We believe that these projects must continue to meet appropriate avoided cost tests. Our interest is to continue to bring resources to the customers that are cost effective. The Irrigators advocate that larger resources and longer contract periods be permitted for cost effective projects.

Cost figures submitted by Simplot reflect that PURPA projects cost ratepayers significantly less than Idaho Power Company's own resources. Under these circumstances, the Irrigators believe that it is appropriate for the Commission to consider changing its policy for implementing PURPA by increasing the size of QFs to 10 MW or less and lengthening the standard contract term from 5 years to 20 years with the developer retaining the right to chose the term up to 20 years.

RESPECTFULLY SUBMITTED this 14<sup>th</sup> day of March, 2002.

RACINE, OLSON, NYE, BUDGE &  
BAILEY, CHARTERED

By

A handwritten signature in black ink, appearing to read "Eric L. Olsen", written over a horizontal line.

ERIC L. OLSEN for RANDALL C. BUDGE  
Attorneys for IIPA

**CERTIFICATE OF MAILING**

I HEREBY CERTIFY that on this 14<sup>th</sup> day of March, 2002, I served a true, correct and complete copy of the foregoing document, to each of the following:

Jean Jewell, Commission Secretary  
Idaho Public Utilities Commission  
P.O. Box 83720  
Boise, Idaho 83720-0074  
(472 W. Washington St., 83720-5983)

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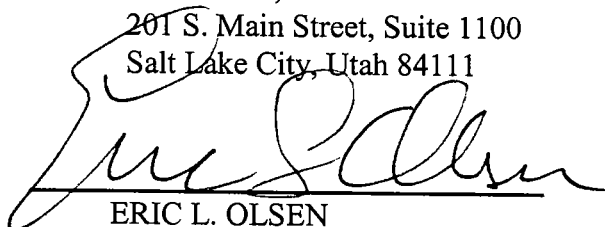
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